

BEFORE THE BOARD OF OIL, GAS AND MINING

DEPARTMENT OF NATURAL RESOURCES

STATE OF UTAH

FILED

NOV 25 2014

SECRETARY, BOARD OF
OIL, GAS & MINING

IN THE MATTER OF THE REQUEST)
FOR AGENCY ACTION OF)
NEWFIELD PRODUCTION COMPANY)
FOR AN ORDER POOLING ALL)
INTERESTS IN TWO 1,280-ACRE (OR)
SUBSTANTIAL EQUIVALENT))
DRILLING UNITS ESTABLISHED BY)
THE BOARD'S ORDERS IN CAUSES)
NOS. 139-98 AND 139-103, IN)
SECTIONS 15 AND 22, TOWNSHIP 3)
SOUTH, RANGE 2 WEST, U.S.M.,)
DUCHESNE COUNTY, UTAH)

**FINDINGS
OF FACT, CONCLUSIONS
OF LAW, AND ORDER**

**Docket No. 2014-032
Cause No. 139-122**

This Cause came on regularly for hearing before John C. Rogers, Associate Director, Oil and Gas, Utah Division of Oil, Gas and Mining (the "Division"), as the Utah Board of Oil, Gas, and Mining's (the "Board") designated Hearing Examiner, on Thursday, September 11, 2014, at the hour of 1:30 p.m. in Room 112 of the Department of Natural Resources, 1594 West North Temple, Salt Lake City, Utah, and regularly for hearing before the Board on Wednesday, October 22, 2014, at the hour of 9:00 a.m. in the Auditorium of the Department of Natural Resources to consider the Hearing Examiner's Recommended Findings of Fact and Conclusions of Law. The following Board members were present and participated at the October 22, 2014 hearing: Ruland J. Gill, Jr., Chairman, Chris D. Hansen, Carl F. Kendell, Susan S. Davis, Michael R. Brown, and Gordon L. Moon. John R. Baza, Director, and Brad Hill, Oil and Gas Permitting Manager, were present for the Division at the October 22, 2014 hearing, and Dustin Doucet, Petroleum Engineer, and Clinton Dworshak, Compliance and Public Outreach Manager, were present for the Division at both hearings. The Division was represented by Douglas J. Crapo, Assistant Attorney General, at both

hearings. The Board was represented by Fredric J. Donaldson, Assistant Attorney General, at the October 22, 2014 hearing, and the Hearing Examiner was represented by Steven F. Alder, Assistant Attorney General, at both hearings.

The petitioner, Newfield Production Company ("Newfield"), was represented by Thomas W. Clawson of Van Cott, Bagley, Cornwall & McCarthy, at both hearings and Robbie Miller, Newfield's Landman, and Mike Jensen, Newfield's Engineering Advisor, testified on behalf of Newfield at the September 11, 2014 hearing. Mr. Jensen was recognized by the Hearing Examiner as an expert reservoir engineer for the purposes of this Cause.

Two members of the public, Dennis Lunt and Richard Isom, both leased mineral interest owners, also were present at the September 11, 2014 hearing, but chose not to participate. Other than Newfield, the Division, and the aforementioned members of the public, no person or party filed a response to Newfield's Request for Agency Action in this Cause (the "Request") and no other person or party appeared at or participated in the September 11, 2014 or October 22, 2014 hearings in opposition to Newfield's Request.

At the beginning of the September 11, 2014 hearing, Newfield made an oral motion for leave to file certain Revised Land Exhibits out of time. The Hearing Examiner granted Newfield's motion. At the conclusion of the testimony by Newfield's witnesses and after admission of exhibits, counsel for the Division interposed objections to the Request so far as it relates to the interests of Kenneth Maue. The Division argued that written notice of Mr. Maue's opportunity to participate in the Subject Wells (as defined herein) had not been sent to him as required by statute before he can be force pooled and subjected to the 300% risk assessment/nonconsent penalty associated with a specific well. Newfield responded that Mr. Maue previously had given notice to Newfield both orally and in writing that he not be contacted by Newfield in the future, and

therefore, Mr. Maue knowingly waived his right to notice of his opportunity to participate in the Subject Wells. The Hearing Examiner concluded the September 11, 2014 hearing, subject to his review of a copy of Mr. Maue's prior written request to not be contacted, which Newfield agreed to provide, and consideration of the objections and arguments of counsel.

Following two September 15, 2014 telephone conferences among the Hearing Examiner and counsel for the Division and Newfield, the Hearing Examiner determined that Mr. Maue's prior letter to Newfield regarding previous wells that were subject to a prior force pooling hearing (the "Prior Maue Letter") is ambiguous as to the intention of Mr. Maue regarding notice of future wells, and that it does not constitute Mr. Maue's deliberate refusal to participate in the Subject Wells. The Hearing Examiner then moved to continue the matter to the Board's scheduled hearing on October 22, 2014, to allow that written notice of his opportunity to participate in the Subject Wells be provided to Mr. Maue. Neither the Division nor Newfield objected to the Hearing Examiner's motion to continue the hearing. The Hearing Examiner indicated that if Mr. Maue did not reply to the written notice within 20 days after his receipt of it, the Hearing Examiner would present Recommended Findings of Fact and Conclusions of Law to the Board at the October 22, 2014 hearing that recommend the Board force pool Mr. Maue's mineral interests and impose a 300% risk reward assessment/nonconsent penalty, along with other charges and obligations as provided for by Section 40-6-6.5 of the Utah Code. On September 30, 2014, the Hearing Examiner filed the Hearing Examiner's Minute Entry and Motion for Continuance memorializing his determination and motion to continue as stated above (the "Minute Entry"). In compliance with the Hearing Examiner's determination, Newfield provided written notice to Mr. Maue. Mr. Maue did not respond to that notice within the specified 20-day period.

After considering the Hearing Examiner's Recommended Findings of Fact and Conclusions of Law at the October 22, 2014 hearing, the Board accepted the recommended findings of fact and conclusions of law and approved Newfield's request to enter an order pooling all of the mineral interests in the Subject Lands (as defined herein) as specified in the Request. The Board's vote to accept the recommended findings of fact and conclusions of law and approving Newfield's Request was unanimous (6-0).

The Board, having fully considered the designated Hearing Examiner's Recommended Findings of Fact and Conclusions of Law based on the testimony adduced and exhibits received into evidence at the September 11, 2014 hearing, as supplemented as described herein, being fully advised by the Hearing Examiner, and good cause appearing, hereby makes the following findings of fact, conclusions of law, and order in this Cause:

FINDINGS OF FACT

1. Notices of the time, place, and purposes of the September 11, 2014 hearing and the Board's regularly scheduled September 24, 2014 and October 22, 2014 hearings were mailed to all locatable interested parties by first-class mail, postage prepaid, and were duly published in the Salt Lake Tribune, Deseret Morning News, and the Uintah Basin Standard pursuant to the requirements of the Utah Administrative Code ("U.A.C.") Rule R641-106-100. Copies of the Request were mailed to all locatable interested parties pursuant to U.A.C. Rule R641-104-135.

2. Newfield Production Company is a Texas corporation in good standing, having its principal place of business for its Rocky Mountain operations in Denver, Colorado. Newfield is qualified to do and is doing business in Utah.

3. Under that certain Order entered on December 14, 2012, in Cause No. 139-98 (the "139-98 Order"), the Board established a special 1,280-acre (or substantial equivalent)

drilling unit for the production of oil, gas, and associated hydrocarbons for the Uteland Butte Member of the Lower Green River formation defined as follows (the “Uteland Butte Spaced Interval”):

[T]he stratigraphic equivalent of 9,140 feet to 9,292 feet MD as identified in the Dual Laterolog run on February 22, 2012 for the Gilbert 9-9-3-3W Well, located in the NE¼SE¼ of Section 9, Township 3 South, Range 3 West, USM

for all of Sections 15 and 22, Township 3 South, Range 2 West (“T3S-R2W”). The 139-98 Order authorized (on a pilot basis) the drilling and concurrent production of up to four horizontal wells to be drilled in the special 1,280-acre drilling unit.

4. Under that certain Order entered on May 9, 2013, in Cause No. 139-103 (the “139-103 Order”), the Board established a special 1,280-acre (or substantial equivalent) drilling unit for the production of oil, gas, and associated hydrocarbons for the Upper Wasatch formation defined as follows (the “Upper Wasatch Spaced Interval”):

[T]he stratigraphic equivalent of the interval from 8,765 feet to 9,967 feet MD as identified in the Dual Induction Log run on March 7, 1972 in the JW Accawinna #1 Well located in the NE¼SW¼ of Section 13, T3S, R3W, USM

for all of Sections 15 and 22, T3S-R2W. The 139-103 Order authorized (on a pilot basis) the drilling and concurrent production of a single horizontal well to be drilled in the special 1,280-acre drilling unit. The 139-103 Order was modified by that certain Order entered on June 13, 2014, in Cause No. 139-117, to allow up to eight long horizontal wells to be drilled in the Upper Wasatch Spaced Interval in the special 1,280-acre drilling unit. (The Uteland Butte Spaced Interval and the Upper Wasatch Spaced Interval, collectively, are referred to herein as the “Spaced Intervals,” and Sections 15 and 22, T3S-R2W, are referred to herein as the “Subject Lands.”)

5. As of the September 11, 2014 hearing, Newfield had drilled or spud the following wells that are pertinent to this proceeding in the Spaced Intervals beneath the Subject Lands (the “Subject Wells”):

a. Uteland Butte Spaced Interval. Aubrey #1A-15-22-3-2WH Well (the “Aubrey Well”) whose surface location is located directly east of subject Section 15, in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of adjacent Section 14 (T3S-R2W). The Aubrey Well encountered the Uteland Butte Spaced Interval in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 15 and its bottomhole location in the Uteland Butte Spaced Interval is in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 22. First production occurred on July 25, 2014.

b. Uteland Butte Spaced Interval. Lucy #2-15-22-3-2WH Well (the “Lucy #2 Well”) whose surface location is located directly north of subject Section 15, in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ of adjacent Section 10 (T3S-R2W). The Lucy #2 Well will encounter the Uteland Butte Spaced Interval in the NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 15 and its planned bottomhole location in the Uteland Butte Spaced Interval is in the SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 22. Production for this well has not yet occurred.

c. Uteland Butte Spaced Interval. Lucy #3-15-22-3-2WH Well (the “Lucy #3 Well”) whose surface location is located directly north of subject Section 15, in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ of adjacent Section 10 (T3S-R2W). The Lucy #3 Well will encounter the Uteland Butte Spaced Interval in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 15 and its planned bottomhole location in the Uteland Butte Spaced Interval is in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 22. Production for this well has not yet occurred.

d. Upper Wasatch Spaced Interval. Accawinna #13-22-15-3-2W-MW Well (the “Accawinna Well”) whose surface location is located directly south of subject

Section 22, in the NW¹/₄NW¹/₄ of adjacent Section 27 (T3S-R2W). The Accawinna Well will encounter the Upper Wasatch Spaced Interval in the SW¹/₄SW¹/₄ of Section 22 and its planned bottomhole location in the Upper Wasatch Spaced Interval is in the NW¹/₄NW¹/₄ of Section 15. Production for this well has not yet occurred.

6. The minerals in subject Sections 15 and 22 are owned by the Ute Indian Tribe of the Uintah and Ouray Reservation, the Ute Distribution Corporation, Indian allottees, and numerous private (fee) owners as identified on Newfield's Revised Land Exhibit 3A and Revised Land Exhibit 3B. Newfield and the other working interest owners, Crescent Point Energy U.S. Corp. ("Crescent Point") and Bill Barrett Corporation ("BBC") have leased approximately 98.877605% of the oil and gas minerals in said Sections 15 and 22. All of such leases provide that the lessee may pool the lease with other leases. Newfield, Crescent Point, and BBC have executed joint operating agreements similar in form to the operating agreement admitted into evidence and the record as Newfield's Land Exhibit 6 (the "JOA"), which name Newfield as Operator and voluntarily pool the working interests in the Subject Lands beneath the Subject Lands. The unleased and uncommitted mineral interests in Sections 15 and 22 are owned (in the indicated percentages) by the following parties: Andrew Stein, heir of Eleanor Stein (0.601563%); Elizabeth O'Neal (0.384616%), and Kenneth Maue, heir of Walter Gregory Maue Jr. (0.520833%), all as identified on Newfield's Revised Land Exhibit 3B.

7. Newfield has conducted a thorough title examination of the mineral ownership in the Subject Lands in an effort to identify and locate the owners of those interests, including the following parties: Andrew Stein, heir of Eleanor Stein, and Elizabeth O'Neal (together, the "Unlocatable Nonconsenting Owners"). Newfield's efforts to locate the Unlocatable Nonconsenting Owners are described in Newfield's Land Exhibit 5, as supplemented by the

testimony given at the September 11, 2014 hearing. Despite Newfield's diligent search, the Unlocatable Nonconsenting Owners cannot be located.

8. Pursuant to the Board's Order issued in this Cause on August 15, 2014, personalized notice was given to the following parties, including all of the Unlocatable Nonconsenting Owners: Elizabeth O'Neal or the estate and/or heirs/devisees of Elizabeth O'Neal, and the heirs/devisees of Eleanor Stein, including without limitation, Andrew Stein. The notice was published once a week for two consecutive weeks beginning on August 17, 2014, in the Salt Lake Tribune and Deseret Morning News and for two consecutive weeks beginning on August 19, 2014, in the Uintah Basin Standard and The Vernal Express (collectively, the "Published Notice"). Notice also was posted on Utahlegals.com on August 17, 2014, for an indefinite period. Newfield filed Proofs of Publication on September 10, 2014, and September 23, 2014, and an Affidavit of Publication on September 30, 2014. The Hearing Examiner took and the Board hereby takes official notice of the Proofs of Publication and Affidavit of Publication. The Published Notice provided notice to the Unlocatable Nonconsenting Owners of Newfield's Request, the September 11, 2014 Hearing Examiner's hearing, and the Board's September 24, 2014 hearing, as well as apprising each unlocatable owner of its opportunity to lease its oil and gas minerals or to participate as an owner in the drilling of a pertinent Subject Well. The Published Notice also apprised the Unlocatable Nonconsenting Owners of the possibility that the Board may impose up to a 400% penalty on nonconsenting owners.

9. On October 16, 2014, Newfield filed the Affidavit of Thomas W. Clawson dated October 16, 2014 (the "Clawson Affidavit"), evidencing that written notice of Mr. Maue's opportunity to participate in each Subject Well was mailed to him on September 24, 2014 (the "Maue Notice"), and that the notice was received by Mr. Maue on September 25, 2014. The Maue

Notice notified Mr. Maue of the pending force pooling proceeding and that if he did not agree to participate in a Subject Well, he could be deemed a “nonconsenting owner” and that the Board could impose up to a 400% nonconsent penalty. A copy of the Maue Notice and the USPS return receipt evidencing Mr. Maue’s receipt of the notice were attached to the Clawson Affidavit. The Clawson Affidavit also provided that Mr. Maue had not contacted Newfield nor its counsel on or before the expiration of the 20-day response period on October 15, 2014, as specified in the Minute Entry. The Hearing Examiner took and the Board hereby takes official notice of the Clawson Affidavit. The Hearing Examiner also took and the Board hereby takes official notice of the record in this matter, which shows that Mr. Maue has contacted neither the Division nor the Board regarding this matter or the Maue Notice.

10. Newfield has made a good faith effort to locate the Unlocatable Nonconsenting Owners.

11. Newfield has provided legally sufficient and proper written notice to Kenneth Maue of his opportunity to participate in each of the Subject Wells in a good faith attempt to reach agreement with Mr. Maue to either lease his interests or to obtain an agreement with Mr. Maue for him to bear his proportionate share of the costs of each Subject Well.

12. Neither Mr. Maue nor the Unlocatable Nonconsenting Owners (together, the “Nonconsenting Owners”) filed a response to the Request, the Published Notice or the written notice of the opportunity to participate in the Subject Wells or otherwise participated at the September 11, 2014 hearing and the Board’s September 22, 2014 and October 22, 2014 hearings.

13. Forced pooling of the Nonconsenting Owners’ interests in the applicable drilling units comprising the Subject Lands will promote the public interest, increase ultimate recovery, prevent waste, and protect the correlative rights of all owners.

14. Evidence presented at the hearing, as shown by Newfield's Land Exhibit 8, established that the acreage-weighted average landowner's royalty prescribed by Section 40-6-6.5(6)(a) of the Utah Code is 16.679559% for the leases affecting Sections 15 and 22 (T3S-R2W).

15. Newfield's evidence established that an interest charge of the Prime Rate plus 2% to be imposed on outstanding costs and expenses is reasonable and appropriate. The "Prime Rate" is defined as the prime rate reported by Wells Fargo Bank in Salt Lake City, or, if Wells Fargo ceases to exist or to report a prime rate, then the Prime Rate shall be the prime rate reported by a comparable bank operating in the State of Utah.

16. Newfield provided testimony that the estimated net plugging and abandoning costs for each Subject Well will be and is \$75,000, based on a 100% working interest ownership. These costs are deemed justified, fair, and reasonable.

17. As provided in Newfield's Engineering Exhibits 1A through 1D, respectively, and as supplemented by the testimony given at the hearing, the projected ultimate cost of drilling and completing each Subject Well is as follows: (1) Aubrey Well, \$14,706,512; (2) Lucy #3 Well, \$11,086,522; (3) Lucy #2 Well, \$11,086,206; and (4) Accawinna Well, \$15,187,737, each based on a 100% working interest ownership. These costs are deemed justified, fair, and reasonable.

18. There are no written agreements for the pooling of the Nonconsenting Owners' interests in the drilling units comprising the Subject Lands.

19. The A.A.P.L. Form 610-1989 Model Form Operating Agreement introduced into evidence and admitted to the record at the hearing as Land Exhibit 6 (JOA), is a standard form of operating agreement, which contains fair and reasonable terms and conditions that are commonly used by Newfield and its partners in the vicinity of the Subject Lands. The JOA contains provisions

appropriate to govern the relationship between Newfield, as the Operator of the drilling units comprising the Subject Lands and the Subject Wells, and the Consenting and Nonconsenting Owners to the extent those provisions are consistent with the applicable statutes and the Board's Order entered in this Cause and address issues not expressly addressed in those statutes or the Board's Order.

20. Newfield's evidence established that the risks and costs of drilling and completing each Subject Well support the imposition of a risk reward assessment/nonconsent penalty of 300%. A 300% risk reward assessment/nonconsent penalty is just, fair, and appropriate.

21. The Board voted unanimously to accept the Hearing Examiner's Recommended Findings of Fact and Conclusions of Law and to approve Newfield's Request.

CONCLUSIONS OF LAW

1. Due and regular notice of the time, place, and purposes of the September 11, 2014 hearing and the Board's regularly scheduled September 24, 2014 and October 22, 2014 hearings was given to all interested parties in the form and manner and within the time required by law and the rules and regulations of the Board. Due and regular notice of the filing of the Request was given to all interested parties in the form and manner required by law and the rules and regulations of the Board. Pursuant to U.A.C. Rule R641-106-700, continuing this matter from the Board's properly scheduled and noticed September 24, 2014 hearing to the Board's October 22, 2014 regularly scheduled hearing was proper.

2. Pursuant to Sections 40-6-5 and 40-6-6.5 of the Utah Code, the Board has jurisdiction over all of the interested parties and the subject matter of the Request, and has the power and authority to make and issue an order thereunder and as herein set forth.

3. Good cause appears to grant the Request regarding the force pooling of the mineral interests and working interests of the Nonconsenting Owners in the Spaced Intervals beneath the Subject Lands, as provided herein.

4. Declaring the Subject Wells as authorized wells for the drilling and spacing units established within the Subject Lands is just and reasonable under the circumstances.

5. Newfield has sustained its burden of proof, demonstrated good cause, and satisfied all legal requirements for granting the Request.

6. Newfield properly served all mineral interest and working interest owners having legally protected interests, and thereby entitled to notice, by either mailing copies of the Request to those owners or by serving such notice by publication.

7. The Maue Notice was sufficient and proper under Sections 40-6-2(11) and 40-6-6.5(4) of the Utah Code to apprise Mr. Maue of his opportunity to participate in each Subject Well, and Mr. Maue's failure to respond to the notice constitutes his deliberate refusal to participate in each Subject Well.

8. The Nonconsenting Owners are deemed "nonconsenting owners," as that term is defined in Section 40-6-2(11) of the Utah Code as relating to the applicable Subject Wells, and are properly deemed to have refused to agree to bear their respective proportionate share of the costs of drilling and operation of such wells as provided in U.A.C. Rule R649-2-9(1).

9. Newfield, as Operator and on behalf of itself, Crescent Point, and BBC are deemed "consenting owners," as that term is defined in Section 40-6-2(4) of the Utah Code, as relating to the applicable Subject Wells.

10. The personalized Published Notice to the Unlocatable Nonconsenting Owners is adequate to apprise them of their opportunity to lease their minerals or to participate in the drilling of the Subject Wells.

11. Newfield has fully complied with the Board requirements contained in U.A.C. Rule R649-2-9 to make a good faith offer to the Nonconsenting Owners to lease their interests or invite them to participate in the Subject Wells.

12. A 300% risk reward assessment/nonconsent penalty is appropriate for the Subject Wells.

13. The Request and evidence adduced at the September 11, 2014 hearing, as supplemented by the Prior Maue Letter and the Clawson Affidavit, establish the need for forced pooling upon terms that are just and reasonable.

14. Given the Indian owned minerals in Sections 15 and 22 (T3S-R2W), communitization agreements are required to commit the Indian owned minerals to cooperative development plans in those lands conforming to the Orders in Causes Nos. 139-98 and 139-103, as that Order was modified by the Order in Cause No. 139-117. An order force pooling the Nonconsenting Owners' interests in the drilling units comprising said Sections 15 and 22 will facilitate the Bureau of Indian Affairs approving such communitization agreements pursuant to Federal regulatory guidelines.

15. Pooling the applicable interests of all Consenting Owners with the Nonconsenting Owners in this Cause will promote the public interest, prevent waste of the oil and gas resources, maximize the potential for ultimate production of those resources, and protect the correlative rights of all owners to their just and equitable shares of the pools in the Spaced Intervals.

16. The forced pooling of the interests belonging to Kenneth Maue, heir of Walter Gregory Maue, Jr., Elizabeth O'Neal or the estate and/or heirs/devisees of Elizabeth O'Neal, and the heirs/devisees of Eleanor Stein, including without limitation, Andrew Stein, in the drilling units comprising Sections 15 and 22 (T3S-R2W) to the dates of first production for each pertinent Subject Well completed as a producing well in such drilling units (*i.e.*, July 25, 2014, for the Aubrey Well and the date first production from the Lucy #2, Lucy #3, and Accawinna Wells commences) under the terms and conditions set forth herein and Paragraph 13 of the Request is just and reasonable, and insures all parties will receive their fair and equitable share of production from the Subject Wells.

17. Pursuant to U.A.C. Rule R641-108-204, the Hearing Examiner and the Board may take official notice of the Proofs of Publication and Affidavit of Publication, the Clawson Affidavit, and the fact that Mr. Maue has contacted neither the Division nor the Board as identified and discussed in Findings of Fact 8 and 9, respectively.

ORDER

Based upon the Request, the testimony and evidence submitted and entered at the Hearing Examiner's September 11, 2014 hearing, as supplemented by the Prior Maue Letter and the Clawson Affidavit, and the findings of fact and conclusions of law as stated above, it is therefore ordered that:

1. Newfield's Request seeking forced pooling of the Nonconsenting Owners as identified in Finding of Fact No. 12 herein in the Uteland Butte Member of the Lower Green River formation and the Upper Wasatch formation, both as defined herein, beneath the Subject Lands is granted.

2. The Subject Wells as described in Finding of Fact No. 5 herein are hereby designated as authorized wells for the drilling and spacing units comprising the Subject Lands established by the Orders in Causes Nos. 139-98 and 139-103, as that Order was modified by the Order entered in Cause No. 139-117 (the "Prior Orders").

3. The following owners are "Nonconsenting Owners" as such term is defined in Section 40-6-2(11) of the Utah Code:

a. Andrew Stein, heir of Eleanor Stein; Elizabeth O'Neal; and Kenneth Maue, heir of Walter Gregory Maue Jr.

4. Newfield, Crescent Point, and BBC are "Consenting Owners" as that term is defined in Section 40-6-2(4) of the Utah Code.

5. Operations incident to the drilling of a designated unit well upon any part of a drilling unit comprising the Subject Lands established by the Prior Orders shall be deemed for all purposes to be operations upon each separately owned tract in the drilling unit.

6. The portion of production allocated or applicable to a separately owned tract within any drilling unit comprising the Subject Lands established by the Prior Orders shall, when produced, be deemed for all purposes to have been produced from that tract by a well drilled on it.

7. The interests of all parties in this Cause subject to the jurisdiction of the Board, specifically including each Nonconsenting Owner, are pooled effective as of the date of first production for a respective Subject Well completed as a producing well in the applicable drilling unit; specifically:

a. With respect to the Aubrey Well, July 25, 2014 (the date of first production of the Aubrey Well);

b. With respect to the Lucy #2 Well, the Lucy #3 Well, and the Accawinna Well, a date following the entry of this Order upon which production from such wells is first commenced.

8. Each owner of an interest within a drilling unit comprising the Subject Lands shall pay his allocated share of the costs incurred in drilling and operating an applicable Subject Well, including, but not limited to, the costs of drilling, completing, equipping, producing, gathering, transporting, processing, marketing, storage facilities, reasonable charges for the administration and supervision of operations, and other costs customarily incurred in the industry, the accounting for which shall be governed by the terms of the JOA.

9. Each Nonconsenting Owner's interest in a Subject Well shall be deemed relinquished to the applicable Consenting Owners in such well during the period of payout for the well as provided in Utah Code Ann. §§ 40-6-6.5(4)(b) and -6.5(9).

10. The landowner's royalty attributable to the drilling and spacing units comprising the Subject Lands is as follows:

a. During the payout periods for the Subject Wells, Andrew Stein, Elizabeth O'Neal, and Kenneth Maue, shall each receive as a Nonconsenting Owner a 16.679559% royalty. The landowner's royalty shall be paid to such Nonconsenting Owners until such time as the applicable Nonconsenting Owners' shares of costs, the 300% risk reward assessment/nonconsent penalty, and applicable interest charges have been fully recouped from the applicable Subject Wells, as provided in Utah Code Ann. § 40-6-6.5 and in this Order.

11. Newfield, as Operator of a Subject Well, shall furnish each Nonconsenting Owner owning an interest in an applicable Subject Well with a monthly statement regarding the

Subject Well specifying: (i) the costs incurred; (ii) the quantity of oil or gas produced; and (iii) the amount of oil and gas proceeds realized from the sale of the production during the preceding month.

12. Payout occurs when the Consenting Owners who participate in the costs of drilling and completing a Subject Well in a drilling unit recoup from the Nonconsenting Owners the costs and expenses of drilling and completing each applicable Subject Well, together with the 300% risk reward assessment/nonconsent penalty and interest, as provided for herein and under Utah Code Ann. § 40-6-6.5(4)(d).

13. The interest rate as permitted by Utah Code Ann. § 40-6-6.5(4)(d)(iii) is set to the prime rate, as set by Wells Fargo Bank in Salt Lake City, plus 2%, or if Wells Fargo Bank ceases to exist or to report a prime rate, then the prime rate shall be the prime rate reported by a comparable bank operating in the State of Utah.

14. Each applicable Nonconsenting Owner shall pay its proportionate share of the net costs of plugging and abandoning each applicable Subject Well, which will be and is \$75,000 per well.

15. In calculating the division of interest for each Nonconsenting Owner, the landowner's royalty shall be proportionately reduced in the ratio that the Nonconsenting Owner's interest bears to (a) the total interest in the tract and (b) further reduced in the ratio that the tract acres bear to the total acreage in the drilling unit.

16. When the applicable Consenting Owners have recovered from the production from a Subject Well the applicable Nonconsenting Owners' share of the costs of locating, drilling, completing and other costs as provided in Utah Code Ann. § 40-6-6.5(4)(d) for the well together with the risk reward assessment/nonconsent penalty as provided herein, the applicable Nonconsenting Owners' relinquished interest shall automatically revert to it, and the Nonconsenting

Owner shall from that time forward own the same interest in the pertinent Subject Well and the production from it, and shall be liable for further costs of operation, as if such owner had participated in the initial drilling and completion operations. Costs of operations after payout attributable to a Nonconsenting Owner shall be paid out of production.

17. Under any circumstances where a Nonconsenting Owner has relinquished its share of production to the applicable Consenting Owners or at any time fails to take its share of production in-kind when it is entitled to do so, the Nonconsenting Owner is entitled to an accounting of the oil and gas proceeds applicable to its relinquished share of production, and payment of the oil and gas proceeds applicable to that share of production not taken in-kind, net of costs.

18. The terms and conditions of the JOA as identified in Finding of Fact No. 19 herein shall control the relationship of the Consenting Owners and Nonconsenting Owners as to all matters not expressly identified in this Order and to the extent they are not inconsistent with this Order. In the event any of the terms of the JOA shall conflict with the terms of this Order or Utah Code Ann. § 40-6-6.5, the terms of the statute or this Order, as applicable, shall control.

19. Pursuant to U.A.C. Rules R641 and Utah Code Ann. §§ 63G-4-204 to -208, the Board has considered and decided this matter as a formal adjudication.

20. This Findings of Fact, Conclusions of Law, and Order (“Order”) is based exclusively on evidence of record in the adjudicative proceedings or on facts officially noted, and constitutes the signed written order stating the Board’s decision and the reasons for the decision, all as required by the Utah Administrative Procedures Act, Utah Code Ann. § 63G-4-208 and U.A.C. Rule R641-109.

21. Notice re Right to Seek Judicial Review by the Utah Supreme Court or to Request Board Reconsideration: The Board hereby notifies all parties in interest that they have the right to seek judicial review of this final Board Order in this formal adjudication by filing a timely appeal with the Utah Supreme Court within 30 days after the date that this Order is issued. Utah Code Ann. §§ 63G-4-401(3)(a) and -403. As an alternative to seeking immediate judicial review, and not as a prerequisite to seeking judicial review, the Board also hereby notifies parties that they may elect to request that the Board reconsider this Order, which constitutes a final agency action of the Board. Utah Code Ann. § 63G-4-302, entitled “Agency Review—Reconsideration,” provides:

(1)(a) Within 20 days after the date that an order is issued for which review by the agency or by a superior agency under Section 63G-4-301 is unavailable, and if the order would otherwise constitute final agency action, any party may file a written request for reconsideration with the agency, stating the specific grounds upon which relief is requested.

(b) Unless otherwise provided by statute, the filing of the request is not a prerequisite for seeking judicial review of the order.

(2) The request for reconsideration shall be filed with the agency and one copy shall be sent by mail to each party by the person making the request.

(3)(a) The agency head, or a person designated for that purpose, shall issue a written order granting the request or denying the request.

(b) If the agency head or the person designated for that purpose does not issue an order within 20 days after the filing of the request, the request for reconsideration shall be considered to be denied.

Id. The Board also hereby notifies the parties that Utah Administrative Code Rule R641-110-100, which is part of a group of Board rules entitled, “Rehearing and Modification of Existing Orders,” states:

Any person affected by a final order or decision of the Board may file a petition for rehearing. Unless otherwise provided, a petition for rehearing must be filed no later than the 10th

day of the month following the date of signing of the final order or decision for which the rehearing is sought. A copy of such petition will be served on each other party to the proceeding no later than the 15th day of that month.

Id. See Utah Admin. Code R641-110-200 for the required contents of a petition for rehearing. If there is any conflict between the deadline in Utah Code Ann. § 63G-4-302 and the deadline in Utah Admin. Code R641-110-100 for moving to rehear this matter, the Board hereby rules that the later of the two deadlines shall be available to any party moving to rehear this matter. If the Board later denies a timely petition for rehearing, the party may still seek judicial review of the Order by perfecting a timely appeal with the Utah Supreme Court within 30 days thereafter.

22. The Board retains continuing jurisdiction over all the parties and over the subject matter of this Cause, except to the extent said jurisdiction may be divested by the filing of a timely appeal to seek judicial review of this Order by the Utah Supreme Court.

23. For all purposes, the Chairman's signature on a faxed copy of this Order shall be deemed the equivalent of a signed original.

DATED this 25th day of November, 2014.

STATE OF UTAH
BOARD OF OIL, GAS AND MINING

By 
Ruland J. Gill, Jr., Chairman

CERTIFICATE OF SERVICE

I hereby certify that on this 25th day of November, 2014, I caused a true and correct copy of the foregoing **FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER** for Docket No. 2014-032, Cause No. 139-122, to be mailed with postage prepaid, via E-mail or First Class Mail, to the following:

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